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Summary

With a conventional military and weapons of mass destruction (WMD) threat from Saddam Hussein's regime removed, Iran seeks, at a minimum, to ensure that Iraq can never again become a threat to Iran, whether or not there are U.S. forces present in Iraq. Some believe that Iran's intentions go far further—to try to harness Iraq to Iran's broader policy goals, such as defense against international criticism of and sanctions against Iran's nuclear program, and to enlist Iraq's help in suppressing Iranian dissidents located inside Iraq. Some believe Iran sees Iraq primarily as providing lucrative investment opportunities and a growing market for Iranian products and contracts.

Iran has sought to achieve its goals in Iraq through several strategies: supporting pro-Iranian factions and armed militias; attempting to influence Iraqi political leaders and faction leaders; and building economic ties throughout Iraq. It is Iran's support for armed Shiite factions that most concerns U.S. officials. That Iranian activity continues to be a threat to stability in Iraq, according to senior U.S. commanders, and positions Iran to pursue its interests in Iraq after U.S. forces leave Iraq by the end of 2011.

Many of Iraq's current leaders were in exile in Iran or materially supported by Iran during Saddam's rule, and see Iran as a mentor and an influential actor in Iraq. Even those who have longstanding ties to Iran have asserted themselves as nationalist defenders of Iraqi interests, but Iraq appears to be a clearly subordinate partner in the relationship. Perhaps resenting this relationship, many Iraqi citizens have appeared to reject parties and factions who accept preponderant Iranian influence in Iraq. This sentiment has caused Iran to suffer key setbacks in Iraq. The most pro-Iranian factions generally fared poorly in the January 31, 2009, provincial elections and again in the March 7, 2010, national elections for the National Assembly, which chooses the government. A political bloc that is decidedly against Iranian influence and which is supported by Iraq's Sunni Arabs won the most seats in the election, although no bloc has been able, to date, to build enough support among other blocs to assemble a government. Still, virtually all political blocs are consulting with Iran to try to gain its support for their inclusion in or dominance of any new government.

Also see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

Contents

Background	1
Iranian Support to Armed Groups.....	2
Shiite Internecine Conflict and the Fracturing of Sadr’s Militia.....	3
U.S. Efforts to Reduce Iran’s Aid to Armed Groups	4
Policy Results and Status of Iranian Militia Support Efforts.....	6
Iranian Political Influence	6
Iranian Political Influence Following the January 31, 2009, Provincial Elections	7
Iranian Efforts to Influence the March 7, 2010, Iraqi Elections	7
Iran’s Efforts to Deny Its Domestic Opponents Sanctuary in Iraq.....	8
Longstanding Territorial and Property Disputes	9
Economic Relations	10
Prospects	11

Contacts

Author Contact Information	11
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Background

Iran has sought to shape and influence the post-Saddam political structure in Iraq to Iran's advantage by assuring the political success of pro-Iranian politicians, but with mixed success. During 2003-2005, Iran calculated that it suited its interests to support the entry of Iraqi Shiite Islamist factions into an election process that the United States established in Iraq. The number of Shiites in Iraq (about 60% of the population) virtually ensured Shiite dominance of an elected government. To this extent, Iran's goals did not conflict with the U.S. objective of trying to establish representative democracy in Iraq. Iran helped assemble a Shiite Islamist bloc ("United Iraqi Alliance"), encompassing virtually all the major Shiite factions—the Islamic Supreme Council of Iraq (ISCI), the Da'wa (Islamic Call) party, and the faction of the 35-year-old cleric Moqtada Al Sadr. This formidable alliance won 128 of the 275 seats in the December 15, 2005, election for a full-term parliament. Dawa senior leader Nuri al-Maliki was selected as Prime Minister; several ISCI figures took other leadership positions, and five Sadrists were given ministerial posts.

ISCI is the Iraqi faction with the longest and closest ties to Iran. ISCI's leaders, including Ayatollah Mohammad Baqr Al Hakim, who was killed in an August 2003 car bomb in Najaf, had spent their years of exile in Iran and built ties to Iranian leaders.¹ He was succeeded as ISCI leader by his younger brother, Abd al Aziz al-Hakim, but he died of lung cancer in August 2009. He was succeeded by his son, Ammar al-Hakim. Finance Minister Bayan Jabr and other ISCI leaders, such as deputy president Adel Abd al-Mahdi and constitutional review commission chair Hummam al-Hammoudi, are other senior ISCI leaders. During Saddam's rule, ISCI fielded an underground militia, the "Badr Brigades" (renamed the "Badr Organization"), which was recruited, trained, and armed by Iran's Revolutionary Guard Corps, the most politically powerful component of Iran's military, during the 1980-88 Iran-Iraq war. During that war, Badr guerrillas conducted attacks from Iran into southern Iraq against Iraqi officials. It sparked an unsuccessful uprising against Saddam at the end of the 1991 Persian Gulf war. At the time of Saddam's fall in April 2003, the Badr Brigades numbered about 15,000. During 2005-6, apparently with the active work of then Interior Minister Bayan Jabr, the militia burrowed into the Iraqi Security Forces (ISF), particularly the National Police unit of the Iraqi police force. However, since 2007, the militia has become integrated into Iraq's political process and security forces.

The Sadr faction's political ties to Iran were initially limited because his family remained in Iraq during Saddam's rule. Still, the Sadr clan has political and ideological ties to Iran; Moqtada's cousin, Mohammad Baqr Al Sadr, founded the Da'wa Party in the late 1950s and was a political ally of Ayatollah Khomeini when Khomeini was in exile in Najaf (1964-1978). Baqr Al Sadr was hung by Saddam Hussein in 1980 at the start of the Da'wa Party rebellion against Saddam's regime. Moqtada is married to one of Baqr Al Sadr's daughters. Since 2008, Sadr himself has been studying in Iran to elevate his religious credentials, and running his movement from there.

Iran recognized political value and potential leverage in Sadr's faction—which had 30 total seats in the 2006-2010 parliament, a significant, dedicated following among lower-class Iraqi Shiites, and which built an estimated 60,000-person "Mahdi Army" (Jaysh al-Mahdi, or JAM) militia after Saddam's fall. During 2004-2008, Sadr alternately unleashed and reined in the JAM as part

¹ In 1982, Mohammad Baqr was anointed by then Iranian leader Ayatollah Ruhollah Khomeini to head a future "Islamic republic of Iraq."

of a strategy of challenging what he asserted is U.S. occupation of Iraq. Although U.S. and Iraqi military operations repeatedly defeated the JAM, Iran perceived it as useful against the United States in the event of a U.S.-Iran confrontation, particularly for its ability to kill U.S. forces with rockets and other weaponry. In 2005, Iran reportedly began arming this militia through the Revolutionary Guard's "Qods (Jerusalem) Force," the unit that assists Iranian protégé forces abroad. During 2005-6, the height of sectarian conflict in Iraq, JAM militiamen, as well as Badr fighters in and outside the ISF, committed sectarian killings of Sunnis, which accelerated after the February 2006 bombing of the Al Askari Mosque in Samarra.

Iranian Support to Armed Groups

Iran's arming and training of Shiite militias in Iraq added to U.S.-Iran tensions over Iran's nuclear program and Iran's broader regional influence, such as its aid to Lebanese Hezbollah and the Palestinian organization Hamas (which controls the Gaza Strip). U.S. officials feared that, by supplying armed groups in Iraq, Iran was seeking to develop a broad range of options that included: pressuring U.S. and British forces to leave Iraq; to bleed the United States militarily; and to be positioned to retaliate in Iraq should the United States take military action against Iran's nuclear program.

At the height of Iran's support to Shiite militias (2005-2008), U.S. officials publicly discussed specific information on Qods Force aid to the JAM. In 2007, a press report said there are 150 Qods and intelligence personnel there,² but some U.S. commanders who have served in southern Iraq said they believed that there were perhaps one or two Qods Force personnel in each Shiite province, attached to or interacting with pro-Iranian governors in those provinces. Qods Force officers generally do not wear military or other uniforms and their main role reportedly is to identify Iraqi fighters to train, and to organize safe passage for Iranian weapons shipments and Iraqi militants between Iran and Iraq. In specific allegations:

- On February 11, 2007, U.S. military briefers in Baghdad provided what they said was specific evidence that Iran had supplied armor-piercing "explosively formed projectiles" (EFPs) to Shiite (Sadrist) militiamen. EFPs have been responsible for over 200 U.S. combat deaths since 2003. In August 2007, Gen. Raymond Odierno, then the second in command (later overall commander in Iraq), said that Iran had supplied the Shiite militias with 122-millimeter mortars that are used to fire on the Green Zone in Baghdad. On August 28, 2008, the *Washington Times* reported that pro-Sadr militias were now also using "Improvised Rocket Assisted Munitions"—a "flying bomb" carrying 100 pounds of explosives, propelled by Iranian-supplied 107 mm rockets.
- On July 2, 2007, Brig. Gen. Kevin Begner said that Lebanese Hezbollah was assisting the Qods Force in aiding Iraqi Shiite militias, adding that Iran gives about \$3 million per month to these Iraqi militias. He based the statement on the March 2007 capture of former Sadr aide Qais Khazali and Lebanese Hezbollah operative Ali Musa Daqduq. They were allegedly involved in the January 2007 killing of five U.S. forces in Karbala. On October 7, 2007, Gen. David Petraeus, then overall U.S. commander in Iraq, told journalists that Iran's Ambassador to Iraq, Hassan Kazemi-Qomi, is himself a member of the Qods Force. (Khazali

² Linzer, Dafna. "Troops Authorized To Kill Iranian Operatives in Iraq," *Washington Post*, January 26, 2007.

was released in December 2009 by the United States to help foster reintegration of Shiite militias into the political process in Iraq.)

- Continuing to present evidence of Iranian material assistance to Shiite militias, Gen. Petraeus, then overall commander in Iraq, testified on April 8-9, 2008, that Iran was continuing to arm, train, and direct “Special Groups”—radical and possibly breakaway elements of the JAM—and to organize the Special Groups into a “Hezbollah-like force to serve [Iran’s] interests and fight a proxy war against the Iraqi state and coalition forces....” The testimony was delivered as the Sadr faction fell out with its erstwhile ally, Prime Minister Maliki.

Shiite Internecine Conflict and the Fracturing of Sadr’s Militia

A split among Iraqi Shiite groups had been growing, and it broke out into an all-out struggle with an ISF offensive (“Operation Charge of the Knights”), launched by Maliki on March 26, 2008. Its objectives, largely accomplished were to clear JAM militiamen from Basra, particularly the port area, which the JAM and other militias controlled for financial benefit. Maliki reportedly launched the Basra offensive, in part, to reduce Sadrism strength in provincial elections held on January 31, 2009. Although the ISF units (dominated by Badr loyalists) faltered initially, U.S. and British forces intervened with air strikes and military advice, and helped the ISF eventually restore relative normality. Sadr agreed to an Iran-brokered “ceasefire” on March 30, 2008, but not to disarm. JAM rocketing of U.S. installations in Baghdad and U.S.- JAM combat continued subsequently until another Sadr-Maliki agreement on May 10, 2008.

The Basra battles were the most dramatic manifestation of a rift between Maliki and Sadr that had begun in 2007. In 2007, Maliki and ISCI—viewing Sunni insurgents as the major threat to their dominant positions—recognized the need to cooperate with the U.S. “troop surge” launched that year. That cooperation required them to permit U.S. forces to place military pressure on the JAM, which the United States considered a key threat equal to or in some instances greater than that posed by Sunni insurgents. In 2006, Maliki had been preventing such U.S. operations in an effort to preserve his alliance with Sadr. As a result of Maliki’s shift in 2007, Sadr broke with him, pulled the five Sadrism ministers out of the cabinet, and withdrew his faction from the UIA. The rift widened throughout 2007 as JAM fighters battled Badr-dominated Iraqi forces, and U.S. and British forces, for control of such Shiite cities as Diwaniyah, Karbala, Hilla, Nassiriyah, Basra, Kut, and Amarah. This also caused a backlash against Sadr among Iraqi Shiite civilian victims, particularly after the August 2007 JAM attempt to take control of religious sites in Karbala. The backlash caused Sadr to declare a six-month “suspension” of JAM activities. (He extended the ceasefire in February 2008 for another six months, although with the implicit understanding that it would be an indefinite suspension.) The intra-Shiite fighting expanded as Britain redeployed its forces in the Basra area to the city’s airport, and ultimately transferred Basra Province to ISF control on December 16, 2007.

Sadr Militia Offshoots: Special Groups, Keta’ib Hezbollah, Asa’ib Al-Haq, and Promised Day Brigade

The Basra battles weakened Sadr politically, causing him to re-orient its fighters toward “peaceful activities.” Sadr clarified this, on August 8, 2008, to be social and cultural work under a new movement called “Mumahidun,” or “trail blazers;” and that a small corps of “special companies” (the U.S.-described Special Groups) would be formed from the JAM to actively combat U.S. (but not Iraqi) forces in Iraq. Subsequently, U.S. commanders began to observe new, smaller Shiite

militias emerging, with names such as Asa'ib al-Haq, Keta'ib Hezbollah (Hezbollah Battalions), and the "Promised Day Brigade." These splinter militia groups could have represented an organizational manifestation of the Sadrist "Special Groups" and have since fallen under separate leaderships. Of these groups, Asa'ib al-Haq has reconciled with the Iraqi government. Keta'ib Hezbollah, on the other hand, was designated as a Foreign Terrorist Organization (FTO) on July 2, 2009, under the authority of Section 219 of the Immigration and Naturalization Act (Title 8 of the U.S. Code). The State Department report on international terrorism for 2009, released August 5, 2010, says the group has close links to Lebanese Hezbollah and numbers about 400 persons.³ The report, which generally characterizes the group's activities as on the decline throughout 2009, says the group is assisted by Iran, through Lebanese Hezbollah. Many of the exact relationships among these remain unclear.

U.S. Efforts to Reduce Iran's Aid to Armed Groups

The United States sought to reduce Shiite militia activity not only to stabilize Iraq, but also to reduce Iranian political influence there. In addition to the U.S. and Maliki efforts against the JAM, U.S. forces arrested a total of 20 Iranians in Iraq, many of whom are alleged to be Qods Forces officers, during December 2006-October 2007. Five of the purported Qods Force members were arrested in January 2007 in the Kurdish city of Irbil, and three of those were held until July 2009. Also arrested (August 2008) were nine Hezbollah members allegedly involved in funneling arms into Iraq. With the U.S. combat mission formally transferring to the ISF as of August 31, 2010, all of the Iranians and Hezbollah personnel held by U.S. forces have been released.

The United States and partner countries have sought to outlaw Iranian shipments to the Iraqi militias (and other pro-Iranian groups in the region). On March 24, 2007, with U.S. backing, the U.N. Security Council unanimously adopted Resolution 1747 (on the Iran nuclear issue), with a provision banning arms exports by Iran—a provision clearly directed at Iran's arms supplies to Iraq's Shiite militias and Lebanese Hezbollah. In 2007, the U.S. military built a base near the Iranian border in Wasit Province, east of Baghdad, to stop cross-border weapons shipments. In July 2008, U.S. forces and U.S. civilian border security experts established additional bases near the Iran border in Maysan Province, to close off smuggling routes. However, these positions have largely been turned over to the ISF as part of the U.S. drawdown to about 50,000 forces in Iraq by August 2010—a drawdown that is under way following the March 7, 2010, Iraqi election.

In an effort to financially squeeze the Qods Force, on October 21, 2007, the Bush Administration designated the Qods Force (Executive Order 13224) as a terrorism-supporting entity. Also on October 21, 2007, the Administration designated the Revolutionary Guard and several affiliates, under Executive Order 13382, as proliferation-supporting entities. The designations carry the same penalties as do those under Executive Order 13224. Neither the Guard or the Qods Force was named a Foreign Terrorist Organization (FTO).

Since January 2008, the Treasury Department has taken action against suspected individual Iranian and pro-Iranian operatives in Iraq by designating them as a threat to stability in Iraq under a July 17, 2007, Executive Order 13438. The penalties imposed on designated entities are a freeze on their assets and a ban on transactions with them. On July 2, 2009, Keta'ib Hezbollah was designated under the Order (and it was simultaneously designated as an FTO), along with Abu Mahdi al-Muhandis, who allegedly facilitated Iranian weapons deliveries to the Special Groups

³ The section on this group in the State Department report is at: <http://www.state.gov/s/ct/rls/crt/2009/140900.htm>

and other Shiite militias. Al Muhandis was convicted by Kuwait of involvement in the Da'wa Party bombings in Kuwait in December 1983 (U.S. and French embassies there) and the May 1985 bombing of the Amir of Kuwait's motorcade (he was slightly injured in that attack).

Other persons and entities named under the Order, in designations made on January 9, 2008, and on September 16, 2008, are a blend of Qods Force members and Iraqi Shiite militia figures. The designees include:⁴ Ahmad Forouzandeh, Commander of the Qods Force Ramadan Headquarters, accused of fomenting sectarian violence in Iraq and organizing training in Iran for Iraqi Shiite militiamen; Abdul Reza Shahlai, a deputy commander of the Qods Force; Abu Mustafa al-Sheibani, the Iran-based leader of network that funnels Iranian arms to Iraqi Shiite militias; Isma'il al-Lami (Abu Dura), a Shiite militia leader—who has broken from the JAM—alleged to have planned assassination attempts against Iraqi Sunni politicians; and Akram Abbas al-Kabi, a JAM Special Groups leader.

U.S. Negotiations With Iran

At the height of Shiite militia activity and instability in Iraq, the United States directly engaged Iran in an effort to refrain from activities that undermine stability in Iraq. The Bush Administration initially rejected the recommendation of the "Iraq Study Group" (December 2006) to include Iran in multilateral efforts to stabilize Iraq, in part because of concerns that Iran might use such meetings to discuss Iran's nuclear program. However, in a shift conducted in concert with the "troop surge," the United States attended regional (including Iran and Syria) conferences ("Expanded Neighbors Conference" process) in Baghdad on March 10, 2007, in Egypt during May 3-4, 2007, and in Kuwait on April 22, 2008. Secretary of State Rice and Iranian Foreign Minister Mottaki held no substantive discussions at any of these meetings.

In a more pronounced shift, the Bush Administration agreed to bilateral meetings with Iran, in Baghdad, on the Iraq issue, led by U.S. Ambassador to Iraq Ryan Crocker and Iranian Ambassador Kazemi-Qomi. The first meeting was on May 28, 2007. A second round, held on July 24, 2007, established a lower-level working group; it met on August 6, 2007. Talks in Baghdad scheduled for December 18, 2007, were postponed because Iran wanted them at the ambassador level, not the working group level. On May 6, 2008, Iran said it would not continue the dialogue because U.S. forces are causing civilian casualties in Sadr City, although the Iranian position might have reflected a broader Iranian assessment that it needs to make no concessions to the United States in Iraq. During a visit to Iraq by Iranian Foreign Minister Manuchehr Mottaki on February 11, 2009, Mottaki ruled out new talks with the United States on Iraq, saying that improved security in Iraq made them unnecessary. The talks did not resume.

It is possible that the Iranian position reflected lack of a firm decision by Iran on how to respond to the Obama Administration's overtures toward Iran for a broader dialogue on the nuclear issue and other outstanding issues. The U.S. offer to resume multilateral negotiations with Iran continued even after the June 12, 2009, disputed election and subsequent crackdown against protesters. However, suggesting a hardening of the Administration position in light of the Iranian crackdown, the Obama Administration, since the end of 2009, focused on talks with its allies and other countries about imposing additional U.N. sanctions on Iran. New U.N. and U.S. sanctions on Iran were imposed in June and July 2010, respectively. In August 2010, a new Iranian

⁴ Some persons designated under the Order are related to the Sunni insurgency in Iraq, and not to the Shiite militias that are a key subject of this paper.

Ambassador in Baghdad assumed his duties; he is Hassan Danaie-Far, reported to be a former commander in the Revolutionary Guard Navy.⁵

Policy Results and Status of Iranian Militia Support Efforts

Since late 2008, U.S. commanders in Iraq have said they are observing a clear reduction of Shiite militia activity. In December 2008, Lt. Gen. Thomas Metz said that there was a marked decline in the number of explosive devices coming into Iraq from Iran.⁶ The March 2010 DoD “Measuring Stability and Security in Iraq” report characterized Shiite militias as still active, but plagued with internal conflicts and an absence of leadership. Overall, the tone of the report indicated that the militias continued to decline as a factor in Iraq’s internal security threat profile. On July 28, 2010, the top U.S. commander in Iraq, who is rotating out as of August 2010, told a press conference that there are still threats to U.S. and Iraqi forces emanating from Shiite militant groups, who still get training in and weapons from Iran. This view was reiterated in the State Department terrorism report for 2009 (section on Iran), released August 5, 2010. However, some observers say that the Shiite militias are active, but for now are unarmed, and mainly act to assert influence informally and through familial and other local connections.

Iranian Political Influence

The March 2008 Charge of the Knights operation marked a turning point in Iranian influence in Iraq; Iran-backed Shiite militia activity has since been on the decline. As of early 2009, as demonstrated by election results in Iraq, there has been a public Iraqi rejection of Iranian political influence over Iraq. However, Iran has always sought alternate channels to continue to influence policy in Iraq and protect its interests there, and influencing senior Iraqi political leaders has been a cornerstone of Iran’s policy. Tehran often couches its policies in terms of friendship with Iraq and humanitarian assistance to the Iraqi people in an effort to help pro-Iranian politicians in Iraq justify their relationships with Iranian leaders.

The limits to Iran’s influence were most starkly in evidence when Iran failed to derail the forging of the U.S.-Iraq Security Agreement, mentioned above, that authorized the U.S. military presence beyond December 31, 2008. Senior Iranian leaders publicly opposed the pact as an infringement of Iraq’s sovereignty—criticism that likely masked Iran’s fears the pact was a U.S. attempt to consolidate its “hold” over Iraq and encircle Iran militarily. However, this criticism might have contributed to insistence by Iraqi leaders on substantial U.S. concessions to a final draft agreement. As an example of the extent to which Iran tried to derail the agreement, Gen. Odierno said on October 12, 2008, that there were intelligence reports suggesting Iran might be trying to bribe Iraqi parliamentarians to vote against it. In the end, Iran’s concerns were attenuated by a provision in the final agreement (passed by Iraq’s parliament on November 27, 2008, and in force as of January 1, 2009) that U.S. forces could not use Iraqi territory as a base for attacks on any other nation. Iranian opposition was also reduced by U.S. agreement to an Iraqi demand to set a timetable (end of 2011) for a full withdrawal of U.S. forces from Iraq. However, even after the pact took effect, Iran’s Supreme Leader Ali Khamene’i (January 5, 2009) warned Maliki that the United States cannot be trusted to implement its pledges under the pact. That statement has been

⁵ Dagher, Sam. “Iran’s Ambassador To Iraq Promises Closer Trade Ties.” *Wall Street Journal*, August 11, 2010.

⁶ Barnes, Julian. “U.S. Says Drop in Iraq Deaths Tied to Iranian Arms Cutback.” *Los Angeles Times*, December 12, 2008.

undermined by the strict U.S. adherence to all the U.S. force and mission reduction timetables set out in the agreement, including the stipulation that U.S. forces cease patrolling Iraq's cities by June 30, 2009.

Iranian Political Influence Following the January 31, 2009, Provincial Elections

During 2009, Iran's political influence in Iraq was further jeopardized by widening political rifts among the pro-Iranian Shiite factions. ISCI and Maliki's Da'wa Party have long been the core of the Shiite alliance that dominates Iraq, but they filed competing slates in the January 31, 2009, provincial elections. ISCI activists asserted that Maliki has surrounded himself with Da'wa veterans who have excluded ISCI from decision-making influence.

The decline of the fortunes of the most pro-Iranian factions, particularly ISCI, was demonstrated in the January 31, 2009, elections. ISCI, which was hoping to sweep the elections in the Shiite south, did not come in first in any Shiite province. In most of the Shiite provinces, Maliki's State of Law slate - which benefitted from Maliki's campaigning as an Iraqi nationalist - came in first. The slate won 28 out of the 57 seats on the Baghdad provincial council, and it won an outright majority in Basra - 20 out of 35 seats on that provincial council. ISCI's best showing in the south was in Najaf, where it tied with the Maliki slate with 7 seats each on the 28-seat provincial council. ISCI had little influence in determining provincial leaderships after those elections.

In many of the Shiite provinces of the south, the Sadr list came in third. In Basra, the former JAM stronghold, the Sadr list won only 2 out of the 35 seats. Still, in some provinces, Sadr's faction has been a coalition partner that helped determine provincial leaderships. Through coalition building, a Sadr list did gain the chairmanship of the provincial council of Babil Province.

The first Defense Department "Measuring Stability and Security in Iraq" report after that election, released March 2009, acknowledged that Tehran suffered a setback from the vote, which was viewed as a victory for parties favoring a strong central government. The report stated that "Iraqi nationalism may act as a check on Iran's ambitions. ..." Still, the report also said that Iran "continues to pose a significant challenge to Iraq's long-term stability and political independence ..." and that "Iran continues to support Sadr's religious studies in Qom, Iran [where Sadr is believed to have been for at least a year]."

Iranian Efforts to Influence the March 7, 2010, Iraqi Elections

Perhaps seeking to restore its influence, Iran set out to try to shape to Tehran's advantage the Iraq's 2010 national elections for the National Assembly, which chooses the next four year government. Tehran primarily sought to rebuild the pan-Shiite political coalition—the United Iraqi Alliance—that had competed successfully in the 2005 Iraqi elections. That effort floundered over differences among Iraqi Shiite leaders over whether to commit to retaining Maliki as Prime Minister, were the unified coalition to prevail. Both ISCI and the Sadrists, given the rifts and differences discussed above, refused to offer such a commitment, and Maliki decided to compete separately on March 7, 2010, with his separate State of Law list.

Having failed to rebuild Shiite unity, Tehran reportedly began working with certain Shiite politicians in Iraq to try to undermine the prospects for Sunni Arabs in the election. The Shiite politicians who head a successor to the immediate post-Saddam era "Higher Commission for De-Baathification" disqualified numerous prominent Sunnis from the main list supported by Sunnis

(the “Iraqiyya” coalition headed by former Prime Minister Iyad al-Allawi). The “disqualification crisis,” which some U.S. officials feared might prompt a Sunni election boycott or renewed Sunni-inspired violence, might account for February 16, 2010, comments by Gen. Ray Odierno, the top U.S. commander in Iraq, that Iran was working through Chalabi and al-Lami to undermine the legitimacy of the elections. Gen. Odierno specifically asserted that Chalabi was in close contact with a close Iraqi ally of Iranian Gen. Qasem Soleimani, who commands the Qods Force unit of Iran’s Islamic Revolutionary Guard Corps (IRGC).⁷ The Iraqi, whose name is Jamal al-Ibrahimi, is a member of the COR. However, the effort did not cause a Sunni boycott nor did it prevent the Iraqiyya slate from winning more seats than any other in the March 7, 2010, elections.

Since the election, representatives of all the major slates - including Iraqiyya—have visited Iran to consult on the formation of a new government. However, more than five months after the election, and over two months since final results were certified, no agreement on a new government has been reached. This is believed to be in large part because of ISCI, Sadrist, and Kurdish resistance to Maliki remaining Prime Minister,⁸ and not necessarily because of any actions or views taken by Iran. On April 10, 2010, following the first wave of visits, Iran—echoed by ISCI- appeared to shift position by asserting that any new governing coalition should include Iraqiyya.⁹ The shift was viewed as an attempt by Iran and its Iraqi allies to placate the Sunni voters in Iraq that strongly support Iraqiyya and who might inspire renewed violence if Iraqiyya is not given a prominent role in the new government. The apparent Iranian shift could represent an Iranian calculation that its interests are best served by a stable Iraq and inter-sect harmony rather than Shiite dominance. However, more recently, Tehran has been seen as trying to forge Shiite unity behind one Shiite prime ministerial candidate, whether or not that is Maliki. Several factions, including Kurdish leaders, also have visited Saudi Arabia to elicit its views; still, the Kingdom is viewed as the principal regional backer of Allawi’s attempts to become Prime Minister.

Iran’s Efforts to Deny Its Domestic Opponents Sanctuary in Iraq

Iran has apparently sought to use its relationship with Iraqi leaders to try to eliminate its Iraq-based opposition. There are 3,400 members of the Iranian opposition People’s Mojahedin Organization of Iran (PMOI), a group allied with Saddam against Iran, at “Camp Ashraf” near the Iran border. Iran has urged Prime Minister Maliki and other pro-Iranian Shiite leaders in Iraq to expel the group, possibly including extraditing its members to Iran. Before and since the U.S.-Iraq Security Agreement took effect on January 1, 2009, Iraqi leaders, presumably reflecting Iran’s orientation as well as their own resentment that the PMOI was close to Saddam politically, said the Ashraf activists were no longer welcome and need to leave Iraq. (Shiites and Kurds in Iraq say Saddam used PMOI forces to help put down uprisings by those communities after the 1991 Gulf war.)

Still, under the provisions of the U.S.-Iraq Agreement, in February 2009, the ISF took control of the outer perimeter of Ashraf, with a small number of U.S. forces nearby but taking no active role in guarding the camp any longer. On July 28, 2009, the ISF attempted to assert its full control over Ashraf by establishing a police post inside its main gate, but the PMOI residents, although

⁷ Gertz, Bill. “Inside the Ring.” *Washington Times*, February 18, 2010.

⁸ Parker, Ned and Usama Redha. “Maliki Warns Nearby Nations.” *Los Angeles Times*, April 13, 2010.

⁹ Nordland, Rod. “Iran Wants Sunnis in Iraqi Politics.” *New York Times*, April 11, 2010.

unarmed, resisted the ISF (mainly police), and altercations ensued. PMOI leaders say at least 10 residents were killed in the violence, and numerous others injured. Later, the Iraqi government announced that the residents would be relocated to a remote site in Al Muthanna Province, in southern Iraq. That move has not occurred to date. The U.S. position, articulated by Secretary of State Clinton on July 29, 2009, is that resolving the issue of Camp Ashraf and its residents is now an Iraqi matter. On July 1, 2009, U.S. forces closed their base at Camp Ashraf and Iraqi forces have full sovereignty and preponderant control over Ashraf.

The Iraqi threats against Ashraf resident raises questions about whether the Iraqi government, now fully sovereign, might abrogate its pledges to the United States to treat the residents humanely. The options for the residents of Ashraf are unclear, as is their status under international law. About 200 have thus far have used U.N.-led processes to leave Iraq as refugees, but the remainder at Ashraf have refused to take advantage of these programs. The International Committee of the Red Cross (ICRC) representatives say Iraq is considering moving the camp into Anbar Province, far away from the Iranian border. Few countries will accept the PMOI activists as residents—a consequence of the PMOI designation by many countries (including the United States) as a terrorist organization. On January 26, 2009, the European Union removed the group from its list of terrorist organizations, potentially opening up avenues for arranging relocation of the Ashraf inhabitants to countries in Europe. A July 2010 U.S. appeals court ruling instructed the State Department to review the group's designation as a Foreign Terrorist Organization.

Iran has also used its close relations with the Iraqi government to target other perceived enemies on the border. During May - June 2010, Iranian forces shelled several Kurdish-inhabited villages just inside the border with Iraq. Iran asserted that the territory was being used by the Kurdish anti-Iran opposition group Free Life Party (PJAK), although apparently only Kurdish civilians were killed or hurt.

Longstanding Territorial and Property Disputes

Some of Iran's interests have been served by post-Saddam Iraqi leaders, although Iraqi nationalism that has been emerging since 2007 has reduced Iraq's pliability to compromise with Iran on longstanding disputes. During exchanges of high-level visits in July 2005, Iraqi officials took responsibility for starting the 1980-1988 Iran-Iraq war, indirectly blamed Saddam Hussein for using chemical weapons against Iranian forces in it, signed agreements on military cooperation, and agreed to Iranian consulates in Basra, Karbala, Irbil, and Sulaymaniyah. In response to U.S. complaints, Iraqi officials subsequently said that any Iran-Iraq military cooperation would not include Iranian training of Iraqi forces. On May 20, 2006, Iraq's Foreign Minister, Hoshyar Zebari, supported Iran's right to pursue "peaceful" nuclear technology.¹⁰

On the other hand, Iran has not returned the 153 Iraqi military and civilian aircraft flown to Iran at the start of the 1991 Gulf War, although it allowed an Iraqi technical team to assess the aircraft in August 2005. The ICRC is continuing to try to resolve the approximately 75,000 total Iranians and Iraqis¹¹ still unaccounted for from the Iran-Iraq war, although the two have continued to exchange bodies (most recently 241 exchanged in December 2008) and information when discovered. Another source of tension is Iran's allegation that Iraq is not doing enough to deny

¹⁰ "Clarification Statement" issued by Iraqi Foreign Minister Hoshyar Zebari. May 29, 2006.

¹¹ ICRC estimates the number still unaccounted for as: 25,000 Iranians; and 50,000 Iraqis. June 2009.

safe haven to the Party for a Free Life in Kurdistan (PJAK), an Iranian Kurdish separatist group, which Iran says is staging incursions into Iran. On February 5, 2009, that group was named by the U.S. Treasury Department as a terrorism supporting entity under Executive Order 13224.

Most territorial issues that have contributed to past disputes were resolved as a result of an October 2000 rededication to recognize the *thalweg*, or median line of the Shatt al Arab waterway as the water border (a provision of the 1975 Algiers Accords between the Shah of Iran and the Baathist government of Iraq, abrogated by Iraq prior to its September 1980 invasion of Iran.) The water border is subject to interpretation, but the two sides agreed to renovate water and land border posts during the March 2008 Ahmadinejad visit. In February 2009, Foreign Minister Zebari urged Iran to move forward with these demarcations, suggesting Iranian foot-dragging to resolve an issue whose ambiguity now favors Iran.

As an example of how territorial and resource disputes continue to plague relations, on December 18, 2009, Iranian forces entered Iraq to seize control of the Fakkah oilfield in a remote section of the Iraqi province of Maysan, near the Iranian border. The Iranian force surrounded the field with tanks and dug defensive positions around it. Iran said the field was technically within its territory, but the small Iranian force pulled back several days later after Iraqi complaints to Iranian leaders.¹² The incursion might have represented an effort by Iran to force Iraq to consult with Tehran on any further approvals of outside investment in Iraq's energy fields. Some viewed it as an independent effort by elements of Iran's Revolutionary Guard to assert themselves in the Iran-Iraq border regions.

Economic Relations

Suggesting the degree to which the Iraqi government views Iran as a benefactor, Maliki has visited Iran four times as Prime Minister to consult on major issues and to sign agreements. The visits were: September 13-14, 2006, resulting in agreements on cross-border migration and intelligence sharing; August 8-9, 2007, resulting in agreements to build pipelines between Basra and Iran's city of Abadan to transport crude and oil products for their swap arrangements (finalized on November 8, 2007); June 8, 2008, resulting in agreements on mine clearance and searches for the few Iran-Iraq war soldiers still unaccounted for; and January 4-5, 2009, primarily to explain to Iran the provisions of the U.S.-Iraq pact but also to continue Iraqi efforts to buy electricity from Iran.

On March 2-3, 2008, Ahmadinejad visited Iraq, a first since the 1979 Islamic revolution. In conjunction, Iran announced \$1 billion in credits for Iranian exports to Iraq (in addition to \$1 billion in credit extended in 2005, used to build a new airport near Najaf, opened in August 2008, which helps host about 20,000 Iranian pilgrims per month who visit the Imam Ali Shrine there). The visit also produced seven agreements for cooperation in the areas of insurance, customs treatment, industry, education, environmental protection, and transportation. Suggesting Iran's earlier generosity is being reciprocated, in February 2009, the Iraqi government awarded a \$1 billion contract to an Iranian firm to help rebuild Basra, and to repair ancient Persian historical sites in southern Iraq.

¹² "Border Oil Risks Iran-Iraq Flare-Up." Mianeh, February 2, 2010. <http://www.mianeh.net/en/articles/?aid=0254>.

Trade relations have burgeoned. As of the beginning of 2009, the two countries now conduct about \$4 billion in bilateral trade, according to Iraq's Trade Minister, and the February 2009 visit of Iranian Foreign Minister Mottaki resulted in a plan to increase that trade to \$5 billion annually through increases in oil and electricity-related trade. In 2005, Iran agreed to provide 2 million liters per day of kerosene to Iraqis. Iran is now supplying 750 Megawatts of electricity to Iraq, in addition to fuel to a number of Iraqi power stations. This has helped, although not resolved, Iraq's severe electricity shortages in the summer of 2010. The two countries have developed a free trade zone around Basra, which buys electricity from Iran. In August 2010, the new Iranian Ambassador in Iraq, Hassan Danaie-Far, said he would like to see trade volumes double from current levels.¹³ He added that two Iranian banks had received approval to open in Iraq—Parsian and Karafarin.

The U.S. attempt to isolate Iran has given Iraq increased leverage in the relationship. The Kurdish region of Iraq, for its part, has seen exports of oil and possibly also gasoline to Iran, which might help Iran compensate for the withdrawal of several major gasoline suppliers to the Iranian market. Those withdrawals were caused, in part, by U.S. sanctions enacted in June 2010 that authorize U.S. penalties against firms that supply gasoline to Iran. In August 2010, it was reported that Iraq had given approval for a natural gas pipeline route from Iran, through Iraq and Syria, and on to Europe. Such exports could help Iran increase its overall gas revenues that it needs to try to reduce the effect of U.S., U.N., and European Union sanctions against Iran.

Prospects

Iran's influence in Iraq remains substantial but it has waned from a high point in 2005-2008. Some experts have long predicted that Iran's influence would fade as Iraq asserts its nationhood, as the security situation has improved, and as Arab-Persian differences reemerge. Many experts point out that Iraqi Shiites generally stayed loyal to the Iraqi regime during the 1980-1988 Iran-Iraq war. Najaf, relatively secure and prosperous, might eventually meet pre-war expectations that it would again exceed Iran's Qom as the heart of the Shiite theological world. As noted, some of these trends are starting to appear, but it is unlikely that anything close to the enmity that existed when Saddam Hussein was in power will return. Not only are relations unlikely to turn adversarial, no matter who is selected as the next Iraqi Prime Minister, but Iraq might emerge as pivotal to Iran's effort to parry U.S. efforts to isolate it.

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¹³ "Iran's Ambassador to Iraq Promises Closer Trade Ties." Op.cit.